

MEMO

DATE: July 12, 2007

TO: Administration Committee
Regional Council

FROM: Debbie Dillon, Human Resources Manager, 213-236-1870, dillon@scag.ca.gov

SUBJECT: Salary Administration and Tuition Reimbursement Revisions

BACKGROUND:

SCAG staff met with the Personnel Committee in April and June to 2007 to gather input into finalizing the following changes in salary administration process and procedures as well as the tuition reimbursement program. The following changes will be implemented by Executive Management this fiscal year:

- Increasing the minimum salary for all salary ranges to reduce the percentage spread of the ranges from 50% to 30%.
- Providing management the discretion to give larger than 5% increases for some promotions and reclassifications based on specific criteria.
- Establishing 2.5% increases for lateral transfers that occur through the recruitment process within and across divisions.
- Increasing the tuition reimbursement annual benefit from \$1,000 per calendar year to the California State University (CSU) system annual fee schedule. In 2007 the CSU fee schedule is \$3,200.00.

Human Resources staff conducted a study to determine methods to improve SCAG's ability to attract and retain employees. Salary administration refers to the structure of the ranges as well as how salaries are determined for new employees and how employees progress through the salary ranges. The study collected information from our survey agencies regarding percentage spread of salary ranges, amount of merit increases, how general increases are applied to salary ranges and any mechanisms used to adjust salaries because of inequities. Two of the major issues that SCAG has encountered in the last several years are:

- Maintaining internal salary equity between long service employees (more than 5 years of service) and new hires.
- Providing competitive starting salaries for entry level and less experienced new employees.

SCAG sets its maximum salary based on the 75th percentile of a very competitive market, but the actual pay of entry level employees falls below the median because of SCAG's longer than average salary ranges. In addition, SCAG employees progress more slowly through the salary ranges because of smaller annual increases than our comparison agencies. Experienced new hires often command a higher base salary than long-tenured SCAG employees thereby creating individual inequities because our employees progress more slowly through the salary range.

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The number of employees hired in the last several years made the weaknesses of our salary administration procedures more pronounced especially their negative effect on employee morale and recruitment of entry level employees.

Salary Range Structure - A survey of our comparison group indicates that our salary ranges are almost 20% longer. The average percentage spread from the minimum to the maximum of the range is approximately 33%. SCAG's salary range percentage spread is 50%. Therefore, although the top of our salary ranges is very competitive, the minimum salaries are 10% to 20% below our target in the market. This affects our ability to hire entry level employees. In the last year we have hired ten planners, half of those were hired were entry level employees. Currently if a planner is hired at the minimum of the range and receives only "meets" rating, it will take the employee 13 years from the date of hire to reach the current maximum of the journey level range. In other public agencies the typical time to reach the future maximum would be six to seven years.

Individual Equity Problems - Experienced new hires frequently have higher salaries than SCAG employees who are equal in or have more experience than the new employees. In the last year SCAG has hired 24 experienced employees, journey level or higher. Half of those employees were hired within the top 10% of the salary range. Human Resources consistently compares the experience and salary of new hires with current employees, but frequently there is no choice but to offer a salary higher than current employees in the same or related class to fill the position. Providing larger percentage increases for reclassification, promotion and transfer will provide more opportunities to prevent and correct individual inequity problems.

Tuition Reimbursement Program - SCAG has maintained a tuition reimbursement benefit level of \$1,000.00 per calendar year for many years. During discussions with the Personnel Committee at the last meeting, committee members encouraged staff to improve the benefit and provided several examples for consideration. SCAG staff researched other agencies and has recommended that the benefit level be improved to match the cost of the California State University system annual fees. The current CSU fee structure is \$3200.00 for a full-time load.

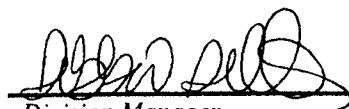
FISCAL IMPACT:

No fiscal impact in fiscal year 2007/2008. Adequate funds are available to cover the estimated costs of each of these changes as listed below:

- **Reducing Percentage Spread of Salary Ranges by 20%** - \$100,000 in FY 07/08
- **Provide More Than 5% Increases for Some Promotions/Reclassifications** - Promotions \$44,780; Reclassifications \$44,540 in FY 07/08
- **Provide 2.5% for Later Transfers** - \$3,500.00 in FY 07/08
- **Enhance Tuition Reimbursement Program Benefit** - \$9,400.00 in FY 07/08. The tuition reimbursement program budget was increased in the adopted FY 07/08 budget to cover the anticipated costs of improving the benefit this year.

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Reviewed by:


Division Manager

Reviewed by:

Department Director

Reviewed by:


Chief Financial Officer